41. In October 2016 the Executive Committee approved a revised ceiling for the Working Capital Fund of $100,000,000. As a result, an initial provision of $25,000,000 was made in 2016 to bring the Working Capital Fund to the level of $75,000,000 effective 1 January 2017. A further appropriation of additional $25,000,000 was subsequently approved on 9 March 2017 to bring the Working Capital Fund to its revised ceiling as approved by the Executive Committee.

42. The expenditure amount of $3,967.1 million in 2016 represents an increase of $672.3 million, or 20.4 per cent, compared with 2015, and an increase of over 110 per cent compared with expenditure in 2010 ($1,878.2 million). Figure IV.IV provides the distribution of 2016 expenditure by pillar and figure IV.V is a graphic illustration of annual expenditure over the period 2010-2016.

Figure IV.IV
2016 expenditure: distribution by pillar

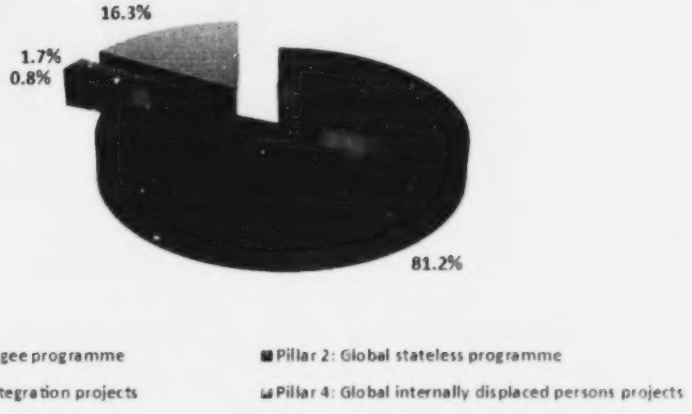
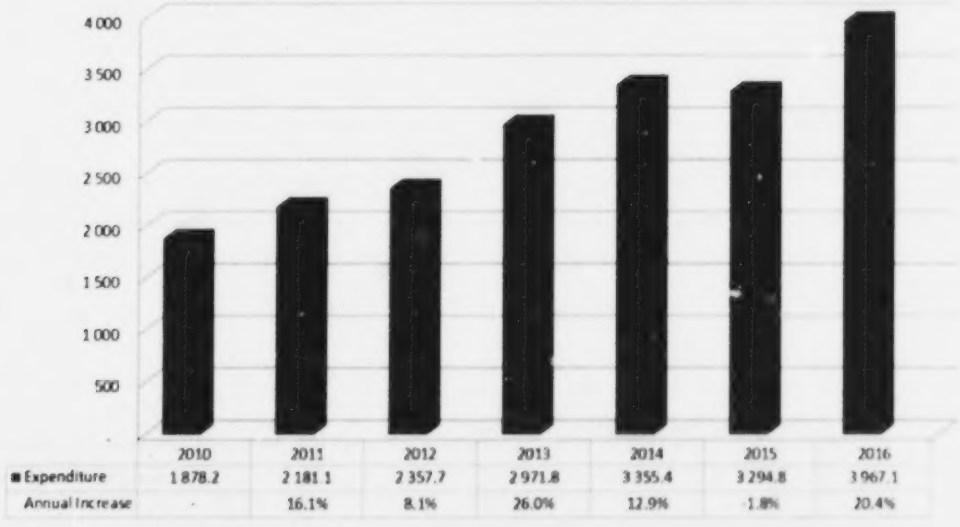


Figure IV.V
Expenditure, 2010-2016
(Millions of United States dollars)



	2010	2011	2012	2013	2014	2015	2016
Expenditure	1 878.2	2 181.1	2 357.7	2 971.8	3 355.4	3 294.8	3 967.1
Annual Increase	-	16.1%	8.1%	26.0%	12.9%	-1.8%	20.4%

43. Table IV.2 shows 2016 expenditure, broken down in terms of programme, programme support and management and administration costs and the Junior Professional Officers Programme, with comparative figures for 2015.

Table IV.2
2016 expenditure by programme, programme support, management and administration and Junior Professional Officers Programme

(Millions of United States dollars)

	2016		*2015*	
	Amount	*Percentage*	*Amount*	*Percentage*
Programme	3 292.1	83.0	2 748.3	83.4
Programme support	521.2	13.1	399.9	12.1
Management and administration	147.2	3.7	139.9	4.3
Junior Professional Officers Programme	6.6	0.2	6.7	0.2
Total expenditure	**3 967.1**	**100.0**	**3 294.8**	**100.0**

44. The evolution of the expenditure for programme, programme support and management and administration costs (excluding the Junior Professional Officers Programme) is presented graphically in figures IV.VI (in millions of United States dollars) and IV.VII (in percentages) for the period from 2010 to 2016.

Figure IV.VI
Evolution of expenditure in United States dollars, 2010-2016

(Millions of United States dollars)

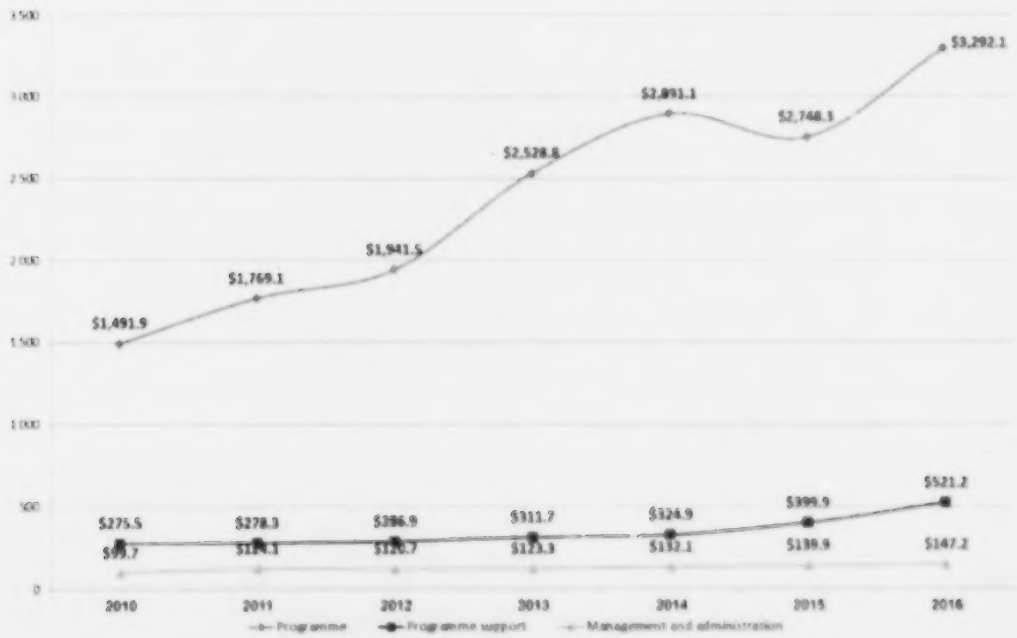
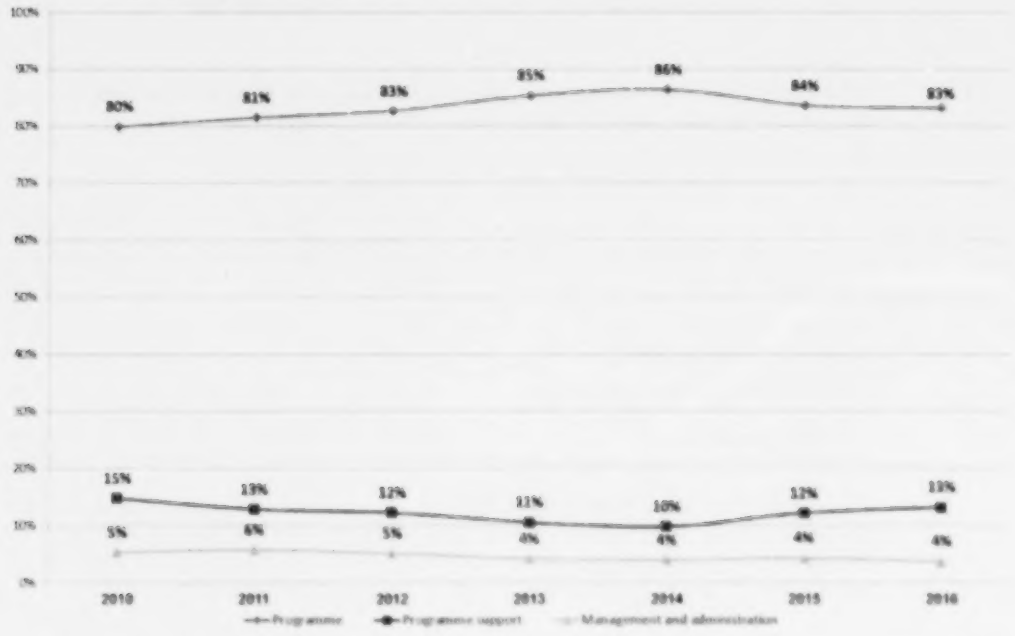


Figure IV.VII
Evolution of expenditure, 2010-2016



E. Risk management

Enterprise risk management

45. UNHCR has had a functioning enterprise risk management framework since 2014. The Office has a corporate risk register, recording all risks assessed by its field operations and headquarters. The register is updated through a mandatory annual risk review. The mandatory annual risk review has been incorporated in the annual planning and budgeting instructions, reinforcing the importance of risk-informed planning and implementation processes. The outcome of the latest annual review will serve as a basis for informed risk analysis and management in the course of 2017.

46. The Office also has a strategic risk register, capturing major risk trends stemming from the corporate risk register, as well as centrally identified strategic risks. In the course of 2016, two new risks were added.

Financial risk management

47. Financial risk management is carried out by the Office of the Controller, in compliance with the Financial Regulations of the United Nations, the financial rules for voluntary funds administered by the High Commissioner for Refugees and the United Nations financial rules, where applicable. The Office applies rigorous strategic planning and resource allocation, together with integrated liquidity and foreign exchange management. The Investment Committee, chaired by the Controller, provides oversight of the financial risk management and effective investment of available cash holdings of UNHCR not required for immediate use.

48. UNHCR maintains and manages a multi-currency portfolio derived from the receipt of voluntary contributions and the disbursement of payments in various

currencies that are naturally hedged. The organization resorts only to limited monthly foreign exchange hedging transactions, with no open contracts to report at year-end. Integrated supply, finance and treasury management systems provide the basis for managing global cash flows on a real-time basis and sound cash-flow forecasting capability.

49. UNHCR risk management policies limit the amount of credit exposure to any one institution and include the application of minimum credit quality guidelines. All surplus fund placements have been concluded with financial institutions that have been accorded the strongest ratings by the primary rating agencies.

F. Internal control system and accountability framework

50. In accordance with UNHCR financial rule 10.1, the Controller is responsible to the High Commissioner for establishing internal controls to ensure: (a) the regularity of receipt, custody and disposal of all assets entrusted to her; and (b) the conformity of commitments and expenses with the directives of the Executive Committee or, as appropriate, with the purpose and conditions of the funds or accounts administered by UNHCR.

51. Internal control and accountability processes are exercised continually at all operational levels within the organization in line with the requirements established through the following core documents:

(a) The global management accountability framework, which comprehensively maps accountabilities, responsibilities and authorities throughout the organization and relates them to the corresponding management policies, tools and guidance;

(b) The financial internal control framework and delegation-of-authority plans;

(c) The resource allocation framework;

(d) The budgetary internal control framework and budgetary control plan;

(e) Policies and procedures governing project management by partners and the monitoring, control and auditing of projects under partnership agreements.

52. UNHCR also benefits from a robust system of review of the effectiveness of internal controls, which is conducted by the bodies and mechanisms identified below.

Office of Internal Oversight Services

53. The Office of Internal Oversight Services (OIOS) has performed internal audit services at UNHCR since 1997, in accordance with UNHCR financial rule 12.1 and United Nations financial regulation 5.15. A memorandum of understanding between UNHCR and OIOS defines the arrangements for internal audit services to be provided by OIOS. The UNHCR Audit Service of the Internal Audit Division of OIOS is based in Geneva, with an office in Nairobi and auditors located in Jordan and Hungary. The internal auditors undertake regular missions to review UNHCR operations in the field and organizational units, functions and systems at headquarters. The audit findings and recommendations are issued as internal audit reports addressed to the High Commissioner. OIOS also provides an annual summary report on its activities and assessments both to the Executive Committee and to the General Assembly as part of the OIOS annual report. In 2016, OIOS issued 34 reports covering various country operations, as well as thematic areas such as procurement undertaken by partners, the medical insurance plan, the

biometric identity management system and matters related to information and communications technology.

Independent audit of projects implemented by partners

54. UNHCR carries out a high percentage of its activities through implementing partners. In 2016, UNHCR continued to collaborate with more than 950 partners in conducting its operations. The audit of projects implemented by partners is an important management tool for field offices and headquarters, as it assists the organization in obtaining:

(a) Reasonable assurance that the final report submitted by the partner is free from material misstatement and in accordance with the terms of the project partnership agreement;

(b) A review of the partner's compliance with the partnership agreement;

(c) An assessment of the partner's internal controls and financial management practices.

55. UNHCR applies a risk-based audit approach in relation to the projects implemented by partners. The methodology of selection of projects is based on a risk assessment of the project. Audit services have been centrally procured and four global independent and reputable audit service providers have been engaged by UNHCR, resulting in a competitive selection of audit services, an efficient process of project audit certification and improved consistency and quality of reports. The quality of audit work delivered as part of this arrangement is monitored and assessed during the year against key performance indicators and mutually agreed terms of reference.

Independent Audit and Oversight Committee

56. The Independent Audit and Oversight Committee assists the High Commissioner and the Executive Committee in exercising their oversight responsibilities, in accordance with relevant best practice, industry standards and the financial and staff regulations and rules applicable to UNHCR. In 2016, the Committee held three sessions, during which it discussed and made observations on various issues relating to oversight, including internal and external audit, inspection, investigation, evaluation, fraud prevention, programme support and monitoring, financial management, capacity-building and organizational development, among others.

Internal Compliance and Accountability Committee

57. The UNHCR Internal Compliance and Accountability Committee was established in June 2012. The Committee acts as the central body to prioritize and monitor the implementation of outstanding critical oversight recommendations and ensures a systematic effort to identify required changes in policies and procedures in order to respond to suggestions from oversight bodies and/or recommend additional policies. UNHCR is in the process of reformulating the terms of reference of this committee along with other changes being made in the internal audit coordination function within the organization.

Inspector General's Office

58. The Inspector General's Office is an independent internal body headed by the Inspector General and comprising two services (Inspection and Investigation) that act independently in conducting inspections of field offices and headquarters units, undertaking investigations and conducting ad hoc inquiries regarding violent attacks

on UNHCR personnel and operations where these involve fatalities, major injuries or large-scale damage to UNHCR assets. The Inspector General's Office provides independent oversight to support the effective, efficient and accountable management of UNHCR field operations and headquarters activities, while informing the High Commissioner of challenges, problems and deficiencies in delivering the UNHCR mandate.

Other tools and mechanisms

59. It is worth noting the following additional efforts made by UNHCR to strengthen its internal control system and maximize the effective and efficient use of its resources:

(a) Focusing management attention on effective follow-up to recommendations made by internal and external oversight bodies, reporting regularly to the Independent Audit and Oversight Committee and the Executive Committee on the volume and nature of the outstanding recommendations;

(b) Documenting all actions to be taken to address the recommendations of the Board of Auditors;

(c) Reviewing and streamlining, when deemed necessary, the internal policies, procedures and guidance available to staff;

(d) Holding periodic senior management committee meetings to review and discuss aspects relating to the reinforcement of risk and performance management practices throughout the organization.

G. Going concern

60. The consequences of any potential reductions, delays in receipt or defaults in payments of contributions, in particular within the context of the global economic and financial situation, have been evaluated by the management of UNHCR. Management considers that the organization has adequate resources to continue its operations as planned in the medium term. This assertion is based on the approval by the Executive Committee of the revised budget requirements for 2017 during its meeting in October 2016 and the historical trend of the collection of pledges in recent years. Therefore, UNHCR has adopted the going-concern basis in the preparation of its financial statements.

Chapter V

Financial statements for the year ended 31 December 2016

United Nations High Commissioner for Refugees

I. Statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	Reference	*31 December 2016*	*31 December 2015*
Assets			
Current assets			
Cash and cash equivalents	Note 3.1	972 350	942 874
Investments	Note 3.1	150 000	150 000
Contributions receivable	Note 3.2	795 553	708 258
Inventories	Note 3.3	203 820	180 738
Other current assets	Note 3.4	90 440	76 243
Total current assets		**2 212 162**	**2 058 113**
Non-current assets			
Contributions receivable	Note 3.2	138 716	100 866
Property, plant and equipment	Note 3.5	156 251	146 234
Intangible assets	Note 3.6	18 675	10 173
Total non-current assets		**313 642**	**257 273**
Total assets		**2 525 804**	**2 315 386**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 3.7	184 047	153 704
Employee benefits	Note 3.8	88 324	83 095
Other current liabilities	Note 3.9	6 265	2 130
Total current liabilities		**278 636**	**238 929**
Non-current liabilities			
Employee benefits	Note 3.8	657 871	618 810
Provisions	Note 3.10	3 199	1 499
Total non-current liabilities		**661 070**	**620 309**
Total liabilities		**939 706**	**859 238**
Net assets		**1 586 099**	**1 456 148**
Fund balances and reserves			
Accumulated fund balances and reserves	Note 3.11	2 169 987	2 011 934
Working Capital and Guarantee Fund	Note 3.12	50 000	50 000
Medical Insurance Plan	Note 3.13	32 351	36 596
Staff Benefits Fund	Note 3.14	(666 239)	(642 382)
Total fund balances and reserves		**1 586 099**	**1 456 148**

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

United Nations High Commissioner for Refugees

II. Statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

	Reference	*2016*	*2015 (reclassified)*
Revenue			
Voluntary contributions	Note 5.1	3 921 909	3 514 317
United Nations regular budget		36 661	48 644
Interest revenue		4 640	1 805
Other revenue	Note 5.2	10 599	17 575
Total revenue		**3 973 809**	**3 582 341**
Expenses			
Implementing partnership expenses	Note 6.1	1 420 796	1 260 832
Salaries and employee benefits	Note 6.2	874 030	812 942
Contractual services	Note 6.3	292 817	241 164
Supplies and consumables for beneficiaries	Note 6.4	325 328	344 473
Operating expenses	Note 6.5	178 058	180 776
Individual and family payments to beneficiaries	Note 6.6	527 790	181 856
Equipment and office supplies	Note 6.7	50 143	52 411
Travel expenses		53 179	48 906
Fuels and lubricants		27 520	29 015
Consultants		14 842	16 111
Depreciation, amortization and impairment	Note 6.8	45 430	44 409
Other expenses	Note 6.9	23 525	25 083
Total expenses		**3 833 456**	**3 237 978**
Foreign exchange (gains)/losses	Note 6.10	13 468	40 894
Surplus/(deficit) for the year		**126 885**	**303 469**

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

United Nations High Commissioner for Refugees

III. Statement of changes in net assets for the year ended 31 December 2016

(Thousands of United States dollars)

	Reference	*Accumulated fund balances and reserves*	*Working Capital and Guarantee Fund*	*Staff Benefits Fund*	*Medical Insurance Plan*	*Total*
Net assets at 1 January 2015		1 688 832	50 000	(660 628)	38 420	1 116 624
Movements in fund balances and reserves in 2015						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	377 096	(42 534)	(29 269)	(1 824)	303 469
Gain/(loss) on after-service health insurance actuarial valuation	Note 3.8	–	–	36 055	–	36 055
Funding of long-term employee liabilities	Notes 3.8, 3.14	(11 460)	–	11 460	–	–
Transfers	Notes 3.11, 3.12, 3.13, 3.14	(42 534)	42 534	–	–	
Total movements during 2015		**323 102**	**–**	**18 246**	**(1 824)**	**339 524**
Net assets at 31 December 2015		**2 011 934**	**50 000**	**(642 382)**	**36 596**	**1 456 148**
Movements in fund balances and reserves in 2016						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	183 111	(12 927)	(47 224)	3 925	126 885
Gain/(loss) on after-service health insurance actuarial valuation	Note 3.8	–	–	3 066	–	3 066
Funding of long-term employee liabilities	Notes 3.8, 3.14	(20 301)	–	20 301	–	–
Transfers	Notes 3.11, 3.12, 3.13, 3.14	(4 757)	12 927	–	(8 170)	–
Total movements during 2016		**158 053**		**(23 857)**	**(4 245)**	**129 951**
Total net assets at 31 December 2016		**2 169 987**	**50 000**	**(666 239)**	**32 351**	**1 586 099**

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

United Nations High Commissioner for Refugees

IV. Statement of cash flow for the year ended 31 December 2016

(Thousands of United States dollars)

	Reference	*2016*	*2015*
Cash flows from operating activities:			
Surplus/(deficit) for the period		126 885	303 469
Depreciation, amortization and impairment	Notes 3.5, 3.6	45 430	44 409
(Increase)/decrease in contributions receivable	Note 3.2	(125 144)	(77 372)
(Increase)/decrease in inventories	Note 3.3	(23 082)	12 734
(Increase)/decrease in other assets	Note 3.4	(14 196)	41 435
Increase/(decrease) in accounts payable and accruals	Note 3.7	30 344	(14 545)
Increase/(decrease) in employee benefits liabilities, net of actuarial gain/loss on after-service health insurance liabilities		47 355	27 442
Increase/(decrease) in provisions	Note 3.10	1 700	(2)
Increase/(decrease) in other liabilities	Note 3.9	4 134	(715)
(Gain)/loss on disposal of property, plant and equipment, and intangibles		1 368	(221)
Revenue from in-kind contributions of property, plant and equipment		(272)	(302)
Net cash flows from operating activities		**94 522**	**336 332**
Cash flows from investing activities:			
Purchase of property, plant and equipment	Note 3.5	(57 063)	(44 792)
Purchase of intangible assets	Note 3.6	(9 041)	(4 814)
Proceeds from sale of assets		1 058	6 905
Purchase of short term investments		(450 000)	(270 000)
Maturities and sale of short term investments		450 000	240 000
Net cash flows from investing activities		**(65 046)**	**(72 701)**
Cash flows from financing activities:			
Net cash flows from financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		**29 476**	**263 631**
Cash and cash equivalents at beginning of the year		**942 874**	**679 243**
Cash and cash equivalents at end of the year		**972 350**	**942 874**

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

United Nations High Commissioner for Refugees

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2016[a]

(Thousands of United States dollars)

	Reference	Global needs assessment budget		Actual on comparable basis	Variances: final budget and actual amounts
		Original[b]	Final[c]		
Field operations					
Africa		2 289 061	2 671 853	1 193 513	1 478 339
Middle East and North Africa		2 045 150	2 085 428	1 310 467	774 961
Asia and the Pacific		534 242	671 098	375 691	295 407
Europe		516 891	877 876	448 508	429 368
Americas		115 577	139 220	73 195	66 025
Total field operations		**5 501 021**	**6 445 474**	**3 401 374**	**3 044 100**
Global programmes		**342 691**	**415 552**	**337 592**	**77 959**
Headquarters		**213 689**	**230 990**	**221 512**	**9 477**
Operational reserve and new or additional activities — mandate-related reserve		**476 887**	**405 687**	–	**405 687**
Junior Professional Officers Fund		**12 000**	**12 000**	**6 618**	**5 382**
Total	Note 7	**6 546 288**	**7 509 703**	**3 967 097**	**3 542 606**

[a] The accounting basis and the budget basis are different. This statement of comparison is prepared on the modified cash basis (further information is provided in note 7).

[b] The original budget of $6,546.3 million was approved by the Executive Committee of the Programme of the High Commissioner at its sixty-sixth session (5-9 October 2015), as contained in A/70/12/Add.1, para. 13.

[c] At its sixty-seventh session (3-7 October 2016), the Executive Committee approved the revised budget of $7,184.7 million as at 30 June 2016 (see A/70/12/Add.1) on the basis of additional requirements of $676.8 million and a budget reduction of $38.4 million. The final budget figure, $7,509.7 million, represents the sum of the approved original budget of $6,546.3 million and the supplementary budgets established by the High Commissioner in 2016 in accordance with article 7.5 of the UNHCR financial rules, in the amount of $1,00.8 million , taking into account a total budget reduction of $43.4 million.

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables re rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

United Nations High Commissioner for Refugees
Notes to the financial statements

Note 1
Office of the United Nations High Commissioner for Refugees, its objectives and activities

1. The Office of the United Nations High Commissioner for Refugees (UNHCR) was established by the General Assembly in its resolution 319A (IV). Its mandate is laid down in the statute of the Office (Assembly resolution 428 (V), annex). In accordance with the statute, the High Commissioner, acting under the authority of the Assembly, shall assume the function of providing international protection, under the auspices of the United Nations, to refugees who fall within the scope of the statute and of seeking permanent solutions for the problem of refugees.

2. The General Assembly has also called upon the High Commissioner to provide assistance to returnees and to monitor their safety and well-being on return (Assembly resolution 40/118). In addition, on the basis of specific requests from the Secretary-General or the competent principal organs of the United Nations, and with the consent of the State concerned, the High Commissioner provides humanitarian assistance and protection to internally displaced persons (Assembly resolution 48/116). As to the High Commissioner's assistance activities, the basic provisions of the statute were expanded by the Assembly in its resolution 832 (IX).

3. UNHCR has been mandated by the General Assembly to provide international protection to refugees and to find solutions to their plight. While States bear the primary responsibility of protecting refugees on their territory, UNHCR was established to ensure protection on behalf of the United Nations and to promote accessions to and supervise the application of the 1951 Convention relating to the Status of Refugees and the 1967 Protocol thereto. Through successive resolutions, the Assembly has recognized additional categories of persons of concern to the Office, including refugees who have returned to their country of origin (returnees), stateless persons and, in certain circumstances, internally displaced persons. It has also authorized the Office to undertake a wider array of activities, such as the provision of humanitarian assistance and support for reintegration, as necessary, to fulfil the mandate of international protection and solutions. The UNHCR mandate on statelessness was further consolidated upon the entry into force of the 1961 Convention on the Reduction of Statelessness in 1975.

4. The High Commissioner reports annually to the General Assembly through the Economic and Social Council. The Executive Committee of the Programme of the High Commissioner was established pursuant to Assembly resolution 1166 (XII) to provide advice to the High Commissioner in the exercise of his or her functions and to approve the use of voluntary funds made available to the High Commissioner. The annual cycle of meetings of the Executive Committee consists of one plenary session and a number of intersessional meetings of its subsidiary body, the Standing Committee. In 2016, the Executive Committee consisted of 98 members. Each year, the report on the session of the Executive Committee is submitted to the General Assembly as an addendum to the annual report of the High Commissioner.

5. UNHCR has its headquarters in Geneva, with Global Service Centres in Budapest and Copenhagen, its Information and Communications Technology Service Centre in Amman and liaison offices in New York and Brussels. As at 31 December 2016, UNHCR had a presence in 128 countries, where its core work is managed from a series of regional offices, branch offices, sub-offices and field offices in the following five regions: Africa; the Americas; Asia and the Pacific; Europe; and the Middle East and North Africa. Global programmes are managed by a number of divisions at headquarters.

Note 2
Accounting policies

Basis of preparation

6. The financial statements of UNHCR have been prepared on an accrual basis of accounting, in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board.

7. The financial statements have been prepared on a going-concern basis. This assertion is based on the approval by the UNHCR Executive Committee of the revised budget requirements for 2016 and the biennial budgets for 2016-2017 during its meeting in October 2016 and the historical trend of collection of pledges over the past years. The accounting policies have been applied consistently throughout the financial period. The amounts in the tables of the financial report, the financial statements and the notes to the financial statements are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

Transactions and balances

8. In accordance with the financial rules for voluntary funds administered by the High Commissioner for Refugees (A/AC.96/503/Rev.10), the functional and reporting currency of UNHCR is the United States dollar.

9. Foreign currency transactions are translated into dollars using the United Nations operational rate of exchange, which approximates the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into dollars at the year-end closing rate of the operational rate of exchange.

10. Both realized and unrealized foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency denominated monetary assets and liabilities are recognized in the statement of financial performance.

Statement of cash flow

11. The statement of cash flow is prepared using the indirect method.

Materiality and use of judgment and estimates

12. The financial statements necessarily include estimated amounts based on management's knowledge, judgment and assumptions with regard to events and actions. Estimates include but are not limited to the fair value of donated goods and services, accrued charges and liabilities for after-service employee benefits, the impairment on accounts receivable, inventories, property, plant and equipment, and contingent assets and liabilities.

13. The concept of materiality is applied for the development of accounting policies and the preparation of financial statements.

14. In 2016, reclassifications have been made to enhance the presentation of financial statements. The comparative amounts have been reclassified and the actual amounts reclassified are disclosed in the relevant note.

Revenue

Non-exchange revenue

15. Revenue from the United Nations regular budget, voluntary contributions and pledges of voluntary contributions confirmed in writing are recognized as non-exchange transactions in accordance with IPSAS 23: Revenue from non-exchange transactions. UNHCR considers that, owing to the application of substance over form, and while there are stipulations that represent restrictions on the use of contributions it receives, no stipulation meets the definition of a condition as described under IPSAS 23.

16. Voluntary and non-conditional cash contributions from donors for which no formal binding agreements are required are recognized as revenue when the cash contribution is received from the donor.

17. Refunds of voluntary contributions for which revenue was recognized in prior years are recorded as revenue adjustments in the year that the refund requirement is identified.

In-kind contributions

18. In-kind contributions of goods and services that directly support operations and activities and can be reliably measured are recognized as revenue at fair value. Fair value is generally measured by reference to the price of the same or similar items in an active market. These contributions include goods which are distributed to beneficiaries, use of premises, utilities, transport and personnel. In-kind contributions of goods are treated as both revenue and assets upon receipt of the goods. In-kind contributions of services are treated as both revenue and expense upon receipt.

Exchange revenue

19. Revenue arising from the rendering of services, sale of goods or use by others of UNHCR assets is recognized as exchange revenue in accordance with IPSAS 9: Revenue from exchange transactions.

Interest revenue

20. Interest revenue is recognized over the period that it is earned.

Expenses

21. In accordance with the accrual basis of accounting, expense recognition occurs at the time of delivery and acceptance of goods or services by the supplier or service provider. Expenses are recorded and recognized in the financial statements for the periods to which they relate.

Financial instruments

22. Financial instruments are contractual arrangements that result in a financial asset for one entity and a financial liability or equity instrument for another. UNHCR financial instruments comprise cash and cash equivalents, investments, accounts receivable and accounts payable and accruals. All of the financial assets of UNHCR are currently classified as loans and receivables. The classification is subject to annual review.

Assets

Cash and cash equivalents

23. Cash and cash equivalents are held at fair value and comprise cash on hand, cash at banks and short-term deposits with maturities of three months or less.

Investments

24. Investment revenue is recognized as it accrues and is included in interest revenue.

Contributions and other receivables

25. Current receivables are stated at nominal value, less allowance for doubtful accounts. Allowances for doubtful accounts are recognized when there is objective evidence that a receivable is impaired. Allowances are recognized on the basis of historical collection experience and/or evidence indicating that the collection of a particular receivable is in doubt. Impairment losses are recognized in the statement of financial performance of the year in which they arise.

Inventories

26. Inventories consist primarily of stock items which are distributed to beneficiaries. They include non-food items such as tents, bedding materials, household items, medical and hygienic supplies and apparel, and construction and related equipment materials. Some food items are also included in inventories.

27. Inventories are stated at fair value, measured as the lower of cost and current replacement cost. Inventory items received as in-kind contributions are measured at fair value as at the date of transfer to UNHCR.

28. The cost of inventories includes purchase cost (or fair value if received in kind) and all other costs, such as transportation, insurance and inspection costs incurred to bring the inventories to the first receiving location in UNHCR.

29. The cost of inventories purchased and shipped directly to field offices is determined by using specific identification of their individual actual cost. The cost of inventories purchased and initially shipped to central warehouses is determined on the weighted average basis.

30. Inventories are expensed when distributed directly by UNHCR to beneficiaries, transferred to implementing partners or provided to other entities for relief assistance purposes.

31. Inventories are reviewed periodically for obsolescence and an allowance is made on the basis of past experience.

Property, plant and equipment

Measurement of costs at recognition

32. Property, plant and equipment are considered non-cash-generating assets as they are not held to generate a commercial return and are stated at historical cost, less accumulated depreciation and any impairment losses.

33. Individual items of property, plant and equipment are capitalized when their expected original acquisition price is equal to or greater than the threshold of $10,000.

34. Permanent buildings are only capitalized in locations of UNHCR headquarters, UNHCR regional offices or UNHCR representation. Acquisition costs of all other

permanent buildings are expensed at the time of acquisition. UNHCR rights in relation to other buildings, used primarily for operations in direct support of beneficiaries, are regularly limited and not fully equivalent to a title of ownership.

Depreciation method and useful life

35. Depreciation is charged so as to allocate the cost of assets over their estimated useful lives. Property, plant and equipment is depreciated using the straight-line method, except for land, which is not subject to depreciation. The estimated useful lives for the various classes of property, plant and equipment are as follows and are subject to annual review:

Class	*Estimated useful life (in years)*
Permanent buildings — headquarters	40
Permanent buildings — other locations	20
Mobile buildings and semi-permanent structures	5
Leasehold — major improvements and alterations	The lesser of the remaining lease term, plus any renewal option expected to be exercised, and the asset's useful life
Donated right of use — major improvements and alterations	The lesser of the period for which UNHCR expects to use the asset and the asset's useful life
Motor vehicle equipment — heavy	10
Motor vehicle equipment — light	5
Equipment, including generators, telecommunications, security and safety, storage and office furniture and fittings	5
Computers and workshop equipment	3

Assets that are subject to depreciation or amortization are reviewed annually for impairment to ensure that the carrying amount is still considered to be recoverable.

Intangible assets

36. Intangible assets are considered non-cash-generating assets as they are not held to generate a commercial return and are stated at historical cost less accumulated amortization and any impairment losses. For donated intangible assets, the fair value as of the date of acquisition is used as a proxy for cost. Capitalized intangible assets under development are recorded at cost, and where the cost can be reliably measured. Any remaining research and development costs are immaterial.

37. Intangible assets are capitalized if their original acquisition cost is equal to or greater than the threshold of $30,000, except for internally developed software, where the cost threshold is $150,000.

38. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful lives for the intangible asset classes are as follows:

Class	*Estimated useful life (in years)*
Software acquired externally	6 years
Software internally developed	6 years
Licences and rights, copyrights, intellectual property and other intangible assets	Shorter of the licence or rights period and useful life of 3 years

Liabilities

Financial liabilities

39. Financial liabilities include accounts payable and accruals, employee benefits liabilities, provisions and other financial liabilities.

Accounts payable and accruals

40. Accounts payable are financial liabilities in respect of either goods or services that have been acquired and received by UNHCR and for which the invoices have been received from the suppliers, or payments due to implementing partners against agreements with those partners. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. As the accounts payable of UNHCR generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement.

41. Accruals are liabilities for goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

Other liabilities

42. Other liabilities primarily include obligations for future refunds and other miscellaneous items such as unapplied cash receipts. They are designated similarly to accounts payable and accruals and are recorded at nominal value, as the impact of discounting is immaterial.

Employee benefits

43. UNHCR recognizes the following categories of employee benefits:

(a) Short-term employee benefits due to be settled within 12 months after the end of the accounting period during which employees rendered the related service;

(b) Post-employment benefits;

(c) Other long-term employee benefits;

(d) Termination benefits.

Short-term employee benefits

44. Short-term employee benefits in UNHCR comprise mainly salaries, wages and payroll-related allowances, employee benefits on initial assignment, education grants and other benefits such as paid annual leave. Short-term employee benefits are measured at nominal value.

Post-employment benefits

45. Post-employment benefits in UNHCR include defined benefit plans, such as the United Nations Joint Staff Pension Fund, and after-service health insurance.

46. The liability recognized for these benefits other than for the Pension Fund is the present value of the defined benefit obligations at the reporting date. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from changes in actuarial assumptions are recognized directly in equity.

United Nations Joint Staff Pension Fund

47. UNHCR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Pension Fund, membership in the Fund shall be open to the specialized agencies and to any other international or intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

48. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNHCR and the Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of UNHCR in the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNHCR has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. UNHCR contributions to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

49. Other long-term employment benefits include end-of-service allowances and repatriation grants, including travel.

Provisions and contingencies

50. A provision is made when UNHCR has a present legal or constructive obligation as a result of past events and it is probable that UNHCR will be required to settle the obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. This estimate is discounted where the effect of the time value of money is material.

51. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNHCR.

Segment reporting

52. In accordance with IPSAS 18: Segment reporting, the financial statements are also presented by segment. A segment is a distinguishable activity or group of activities for which financial information is reported separately for the purpose of evaluating the entity's past performance in achieving its objectives and in making decisions about the future allocation of resources.

53. UNHCR classifies all its activities into three segments: (a) programmes; (b) projects; and (c) special funds and accounts. UNHCR reports on the transactions of each segment during the year and on the balances held at the end of the year.

54. Programmes include the global refugee programme (pillar 1), the global stateless programme (pillar 2) and the activities funded by the United Nations Regular Budget Fund and the Junior Professional Officers Fund. The global refugee programme relates to the UNHCR mandate regarding refugees and covers protection, assistance and durable solutions in countries of asylum (including all activities to facilitate the voluntary repatriation of refugees), together with capacity-building, advocacy and resource mobilization activities. The global stateless programme relates to the UNHCR mandate regarding statelessness and covers all programmes addressing stateless persons, including populations with undetermined nationality. The Junior Professional Officers Fund covers activities relating to the recruitment, training and development of young professionals sponsored by various Governments.

55. Projects include the global reintegration projects (pillar 3) and the global internally displaced persons project (pillar 4). Global reintegration projects relate to an area where UNHCR has joint responsibilities with other United Nations system organizations covering longer-term activities to reintegrate returning refugees in their country of origin or to locally integrate refugees in their country of asylum. Global internally displaced persons projects cover operations for internally displaced persons where UNHCR is operating within the inter-agency cluster approach.

56. The High Commissioner submits the financial requirements for programmes and projects under the four pillars, including the operational reserve and the new or additional mandate-related activities reserve, biennially to the Executive Committee for approval.

57. As at 31 December 2016, the special funds and accounts comprised the Working Capital and Guarantee Fund, the Staff Benefits Fund and the Medical Insurance Plan.

Budget comparison

58. The UNHCR budget is formulated on a modified cash basis. In the statement of financial performance (statement II), expenses are classified and listed by the nature of expenses, whereas in the statement of comparison of budget and actual amounts (statement V), expenditure is classified by operation.

59. The UNHCR budget is based on a global needs assessment and provides a comprehensive statement of resources required to address the needs of persons of concern. The High Commissioner may approve supplementary budgets under the biennial programme budget in the case of new needs that cannot be fully met from the operational reserve. These adjustments are reported to each subsequent meeting of the Standing Committee. The High Commissioner is authorized to implement the budgets to the extent that funds become available under the voluntary funds administered by the High Commissioner.

60. The statement of comparison of budget and actual amounts (statement V) shows the original budget and compares the final budget to actual amounts on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and the financial statements differ, note 7 provides the reconciliation between the actual amounts presented in statement V and the actual amounts presented in the statement of financial performance (statement II).

New accounting standards

61. The International Public Sector Accounting Standards listed below were issued in 2015, with an effective date of 1 January 2017:

- IPSAS 33: First-time adoption of accrual basis IPSAS
- IPSAS 34: Separate financial statements
- IPSAS 35: Consolidated financial statements
- IPSAS 36: Investments in associates and joint ventures
- IPSAS 37: Joint arrangements
- IPSAS 38: Disclosure of interests in other entities

62. IPSAS 39: Employee benefits was issued in 2016 and will replace IPSAS 25: Employee benefits as from 1 January 2018.

63. UNHCR is assessing the possible impact that application of these new standards will have on the financial statements. IPSAS 33 will not be applicable to UNHCR. The impact of the application of IPSAS 34-39 is not expected to be significant.

Note 3
Assets and liabilities

3.1 Cash and cash equivalents and investments

Table 3.1.1
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Cash and cash equivalents		
Headquarters	56 693	223 401
Field offices	95 838	93 501
Short-term deposits	820 000	630 000
Total cash and cash equivalents before allowance	**972 531**	**946 902**
Allowance for doubtful bank balances	(181)	(4 028)
Total cash and cash equivalents	**972 350**	**942 874**

64. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in short-term deposit accounts are available at short notice.

65. The allowance for doubtful bank balances as at 31 December 2015 included a $3.8 million valuation provision for the funds held in Venezuelan bolivars. This was considered necessary as the United Nations operational rate of exchange for bolivars at that time was based on the main official exchange rate of the Central Bank of Venezuela, which was not considered to represent the fair value of the cash holdings in that currency.

66. Table 3.1.2 shows the purposes for which cash and cash equivalents were held.

Table 3.1.2
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Operational	907 564	878 059
Working Capital and Guarantee Fund	49 807	49 926
Junior Professional Officers Fund	14 979	14 889
Total cash and cash equivalents	**972 350**	**942 874**

67. Table 3.1.3 shows short-term investments held by source of funding.

Table 3.1.3
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Staff Benefits Fund	69 974	49 283
Medical Insurance Plan	32 353	36 622
Operational	47 673	64 095
Short-term investments	**150 000**	**150 000**

68. As at 31 December 2016, investments amounted to $150.0 million ($150.0 million at 31 December 2015). This figure represents investments pertaining to the Staff Benefits Fund, the Medical Insurance Plan and a temporary surplus of cash holdings in operational activities that are not required for immediate use. The investments are placed in money markets with maturities ranging between 3 and 12 months. The UNHCR investment and risk management guidelines are applied and are overseen by the UNHCR Investment Committee. The selected benchmark to measure the performance of returns on the investments is the one-year United States Treasury bills yield curve.

3.2 Contributions receivable

69. The following tables summarize the composition of contributions receivable by donor type (table 3.2.1) and year due (table 3.2.2).

Table 3.2.1
(Thousands of United States dollars)

	31 December 2016	*31 December 2015 (reclassified)*
Current contributions receivable		
Governments	555 592	502 962
United Nations system organizations and funds	13 240	9 893
Other intergovernmental organizations	145 347	134 772
Private donors	86 578	81 089
Current contributions receivable before allowance	**800 758**	**728 716**
Allowance for doubtful accounts	(5 205)	(20 458)
Total current contributions receivable	**795 553**	**708 258**

	31 December 2016	*31 December 2015 (reclassified)*
Non-current contributions receivable		
Governments	89 983	41 381
United Nations system organizations and funds	1 225	7 350
Other intergovernmental organizations	31 125	11 799
Private donors	17 890	41 313
Total non-current contributions receivable	**140 223**	**101 843**
Discounting on non-current receivables	**(1 508)**	**(977)**
Total net non-current contributions receivable	**138 716**	**100 866**
Net contributions receivable	**934 269**	**809 124**

Table 3.2.2

(Thousands of United States dollars)

Year due	*31 December 2016*	*Percentage*	*Year due*	*31 December 2015 (reclassified)*	*Percentage*
2015 and before	7 198	0.8	2014 and before	8 758	1.1
2016	99 931	10.7	2015	134 333	16.6
2017	688 424	73.7	2016	565 167	69.8
Total current contributions receivable	**795 553**	**85.2**		**708 258**	**87.5**
2018	109 844	11.8	2017	75 417	9.3
2019	14 056	1.5	2018	23 795	2.9
2020	16 224	1.7	2019	2 630	0.3
2021	100	0		–	–
Less: discounting on non-current accounts receivable	(1 508)	(0.2)		(977)	(0.1)
Total non-current contributions receivable	**138 716**	**14.8**		**100 866**	**12.5**
Total contributions receivable	**934 269**	**100.0**		**809 124**	**100.0**

70. The effect of discounting is presented as a separate line and accordingly, the amounts for 2015 in all relevant tables in note 3.2 have been reclassified.

71. The movement of the allowance for doubtful accounts during 2016 was as follows:

Table 3.2.3

(Thousands of United States dollars)

	31 December 2015	*Write-offs*	*Increase*	*(Decrease)*	*31 December 2016*
Allowance for doubtful accounts	20 458	(15 797)	988	(444)	5 205

72. Contributions receivable are shown net of allowances for doubtful accounts. Allowances for doubtful accounts are recognized when there is objective evidence

that a receivable is impaired. Allowances are recognized on the basis of historical collection experience and/or evidence indicating that the collection of a particular receivable is in doubt. The allowance for doubtful accounts at 31 December 2016 refers primarily to receivables from Governments ($3.1 million) and other intergovernmental organizations ($2.1 million).

Table 3.2.4
(Thousands of United States dollars)

Contributions receivable	*Gross value*	*Allowances (impairment)*	*Net value*
Not overdue as at 31 December 2016	827 139	–	827 139
Overdue as at 31 December 2016 but not impaired			
Less than 12 months overdue	100 277	(346)	99 931
More than 12 months overdue	12 057	(4 859)	7 198
Total	**939 473**	**(5 205)**	**934 269**

3.3 Inventories

73. UNHCR holds inventory items to be distributed to its beneficiaries in 171 warehouses (167 warehouses in 2015) worldwide and 7 global central warehouses located in Dubai (United Arab Emirates), Copenhagen, Isaka (United Republic of Tanzania), Nairobi, Accra, Douala (Cameroon) and Amman. During 2016, inventory items distributed totalled $300.9 million ($318.3 million in 2015) and are recorded as an expense in the statement of financial performance (statement II).

74. The following tables show the composition of the inventory balance at year-end (table 3.3.1) and the reconciliation of inventory changes during the year (table 3.3.2).

Table 3.3.1
(Thousands of United States dollars)

Inventory type	*31 December 2016*	*31 December 2015*
Bedding materials	70 996	58 876
Household items	49 275	42 525
Tents	47 944	36 992
Medical hygienic supplies and apparel	27 090	25 022
Construction and related equipment materials	19 990	15 713
Food and other supplies	3 310	2 541
Material consumables	168	99
Subtotal	**218 774**	**181 768**
Less: inventory valuation allowance	14 954	1 030
Total inventory	**203 820**	**180 738**

Table 3.3.2
(Thousands of United States dollars)

Inventory reconciliation	*2016*	*2015*
Opening inventory as at 1 January	180 738	193 472
Cost of goods acquired[a]	336 917	295 300
Cost of goods distributed	(300 862)	(318 368)
Other adjustments	951	(1 552)
Change in inventory valuation allowance	(13 924)	11 886
Closing inventory as at 31 December	**203 820**	**180 738**

[a] Including in-kind contributions.

75. Inventory quantities derived from the UNHCR inventory tracking system are validated by physical stock counts and adjusted as necessary.

76. The movement of the inventory valuation allowance is as follows:

Table 3.3.3
(Thousands of United States dollars)

	31 December 2015	*Increase*	*31 December 2016*
Inventory valuation allowance	1 030	13 924	14 954

77. The inventory valuation allowance at 31 December 2016 primarily reflects an allowance for shelter for refugees, as the timing and scope of distribution and use are currently uncertain.

78. At year-end, UNHCR held inventory items with a total value of $203.8 million net of valuation allowances. This is equivalent to approximately eight months' distribution made in 2016 (approximately seven months in 2015).

3.4 Other current assets

Table 3.4.1
(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Prepayments	66 283	54 211
Value added tax receivables	13 500	11 350
Receivables from implementing partners	5 986	4 706
Staff advances	3 403	3 754
Deposits with suppliers	1 921	3 224
Other assets	7 233	6 093
Subtotal	**98 327**	**83 338**
Less: allowance for other current assets	7 888	7 095
Total other current assets	**90 440**	**76 243**

79. Prepayments are payments made in advance of the period to which the expense relates and include implementing partnership agreements, rent, education grants and

travel. This figure includes advance payments of $50.0 million (2015: $39.1 million) made to implementing partners as follows: (a) 2016 project agreements in respect of which the delivery of services was extended into the following year, for $21.7 million against 30 projects (2015: $31.9 million against 89 projects); and (b) first instalments paid prior to 1 January 2017 against 2017 budget year projects, for $28.3 million against 95 projects (2015: $7.2 million against 62 projects).

80. Staff advances consist primarily of advances towards rental subsidies, travel, medical expenses, salary and other staff entitlements.

81. The allowance for other current assets primarily covers valid value added tax receivables from a limited number of host countries where recovery is being actively pursued, but recovery has not been forthcoming.

3.5 Property, plant and equipment

82. The main asset classes for property, plant and equipment comprise land and buildings, major alterations and improvements to properties, motor vehicles, computers and telecommunications equipment and generators.

Table 3.5.1
Property, plant and equipment, 2016
(Thousands of United States dollars)

	Land and buildings	*Major alterations and improvements*	*Motor vehicles*	*Generators*	*Computer and telecommunications equipment*	*Other equipment*	*Total*
Cost/valuation							
Opening balance at 1 January 2016	25 654	11 442	236 850	27 127	19 344	14 430	334 847
Additions — purchased	2 019	2 912	37 430	4 167	3 720	6 815	57 063
Additions — contributions in kind	–	–	13	–	79	180	272
Disposals	(794)	–	(21 278)	(1 706)	(1 575)	(436)	(25 789)
Closing balance at 31 December 2016	**26 880**	**14 354**	**253 015**	**29 588**	**21 567**	**20 989**	**366 393**
Accumulated depreciation							
Opening balance at 1 January 2016	(14 000)	(7 033)	(130 783)	(17 848)	(12 464)	(6 485)	(188 613)
Disposals	528	–	19 284	1 607	1 562	381	23 362
Depreciation charge for the year	(3 021)	(2 226)	(30 911)	(3 376)	(3 682)	(2 300)	(45 517)
Impairment	–	–	610	12	–	4	625
Closing balance at 31 December 2016	**(16 493)**	**(9 259)**	**(141 801)**	**(19 604)**	**(14 584)**	**(8 401)**	**(210 142)**
Net book value							
Closing balance at 31 December 2016	11 654	4 409	106 067	9 279	6 880	7 945	146 234
Closing balance at 31 December 2016	**10 387**	**5 095**	**111 214**	**9 984**	**6 983**	**12 588**	**156 251**

Table 3.5.2
Property, plant and equipment, 2015
(Thousands of United States dollars)

	Land and buildings	*Major alterations and improvements*	*Motor vehicles*	*Generators*	*Computer and telecommunications equipment*	*Other equipment*	*Total*
Cost/valuation							
Opening balance at 1 January 2015	24 671	10 036	228 727	24 486	16 987	10 850	315 757
Additions — purchased	1 151	1 406	31 935	3 664	2 771	3 865	44 792
Additions — contributions in kind	–	–	–	286	16	–	302
Disposals	(168)	–	(23 812)	(1 309)	(430)	(285)	(26 004)
Closing balance at 31 December 2015	**25 654**	**11 442**	**236 850**	**27 127**	**19 344**	**14 430**	**334 847**
Accumulated depreciation							
Opening balance at 1 January 2015	(10 831)	(4 487)	(120 066)	(15 680)	(9 563)	(4 993)	(165 620)
Disposals	120	–	17 660	1 086	263	191	19 320
Depreciation charge for the year	(3 258)	(2 546)	(28 231)	(3 236)	(3 156)	(1 656)	(42 083)
Impairment	(31)	–	(146)	(18)	(8)	(27)	(230)
Closing balance at 31 December 2015	**(14 000)**	**(7 033)**	**(130 783)**	**(17 848)**	**(12 464)**	**(6 485)**	**(188 613)**
Net book value							
Closing balance at 31 December 2014	13 840	5 549	108 661	8 806	7 424	5 857	150 137
Closing balance at 31 December 2015	**11 654**	**4 409**	**106 067**	**9 279**	**6 880**	**7 945**	**146 234**

3.6 Intangible assets

83. The movements in intangible assets during the year are as follows:

Table 3.6.1
(Thousands of United States dollars)

	Licences, software and other	*Intangible assets under development*	*Total 2016*
Cost			
Opening balance 1 January 2016	4 947	9 511	14 458
Additions	3 096	5 945	9 041
Disposals	(1 822)	–	(1 822)
Closing balance 31 December 2016	**6 222**	**15 455**	**21 677**
Accumulated amortization			
Opening balance 1 January 2016	(4 285)	–	(4 285)
Amortization charge for the year	(539)	–	(539)
Disposals	1 822	–	1 822
Closing balance 31 December 2016	**(3 002)**	**–**	**(3 002)**
Net book value			
Opening balance 1 January 2016	662	9 511	10 173
Closing balance 31 December 2016	**3 220**	**15 455**	**18 675**

Table 3.6.2
(Thousands of United States dollars)

	Licences, software and other	*Intangible assets under development*	*Total 2015*
Cost			
Opening balance 1 January 2015	4 677	4 967	9 644
Additions	270	4 544	4 814
Closing balance 31 December 2015	**4 947**	**9 511**	**14 458**
Accumulated amortization			
Opening balance 1 January 2015	(2 189)	–	(2 189)
Amortization charge for the year	(2 096)	–	(2 096)
Closing balance 31 December 2015	**(4 285)**	**–**	**(4 285)**
Net book value			
Opening balance 1 January 2015	2 488	4 967	7 455
Closing balance 31 December 2015	**662**	**9 511**	**10 173**

84. The capitalized value of internally developed software excludes those costs related to research and maintenance.

85. "Licences" primarily represent rights acquired for the use of software. The cost will be amortized over the licence or rights period or three years, whichever is shorter. "Intangible assets under development" represents six software projects:

proGres, the biometric identity management system, Managing Systems, Resources and People (MSRP) finance and supply chain upgrade, MSRP human resources upgrade, Twine and the intranet enhancement project.

3.7 Accounts payable and accruals

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Accounts payable		
Commercial suppliers	38 445	48 238
Implementing partners	28 519	22 648
United Nations system organizations	664	703
Other payables	3 099	3 414
Total accounts payable	**70 727**	**75 003**
Accruals		
Commercial suppliers	92 190	59 880
Implementing partners	13 009	11 175
United Nations system organizations	4 020	4 575
Other accruals	4 101	3 071
Total accruals	**113 320**	**78 701**
Total accounts payable and accruals	**184 047**	**153 704**

86. Accounts payable to commercial suppliers relate to amounts due for goods and services for which invoices have been received.

87. The accounts payable to implementing partners represent payments due against agreements with those partners.

88. Other payables include amounts due to employees, volunteers, contractors and beneficiaries.

89. Accruals are liabilities for the cost of goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

90. The amount of $1,420.8 million reported as implementing partner expenses (2015: $1,260.8 million) includes $123.8 million (2015: $31.5 million (final)) already paid to implementing partners in respect of which reporting is pending receipt or processing by UNHCR. An accrual has been established representing the amount of the reports expected and is offset by a corresponding prepayment.

3.8 Employee benefits liabilities

Table 3.8.1

(Thousands of United States dollars)

	2016	*2015*
Employee benefits liabilities		
After-service health insurance	581 605	546 485
Repatriation benefits	86 152	82 419
Annual leave	66 948	61 601

	2016	2015
Salaries and other staff benefits	10 479	10 427
Other separation benefits	1 010	973
Total employee benefits liabilities	**746 194**	**701 905**
Composition		
Current	88 324	83 095
Non-current	657 871	618 810
Total employee benefits liabilities	**746 194**	**701 905**

91. After-service health insurance is available in the form of continued membership in the United Nations Staff Mutual Insurance Society, an insurance scheme managed by the United Nations Office at Geneva, or through the Medical Insurance Plan for retired, locally recruited staff members who served at designated duty stations away from Headquarters and their eligible dependants.

92. Annual leave liabilities are calculated for the unused annual leave balance at the end of 2016. Separating staff are entitled to be paid for unused annual leave they may have accrued up to a maximum of 60 days.

93. Salaries and other staff benefits include short-term employee benefits such as salary and wage increments owing to the revision of salary scales, home leave, education grants and other benefits.

Actuarial valuation of post-employment and other long-term liabilities

94. Liabilities related to after-service health insurance and repatriation benefits are calculated by an independent actuary. Actuarial assumptions are summarized as follows:

	Assumptions used in valuation of after-service health insurance obligations
Discount rate	2.60% (2015: 2.85%) — Weighted average of discount rates of three major currencies representing after-service health insurance liabilities, i.e., the United States dollar, the euro and the Swiss franc. Each year's projected after-service health insurance cash flow is discounted at a spot rate for high-quality corporate bonds payable in each major currency appropriate for that maturity.
Expected rate of medical cost increase	2.70% (2015: 2.70%) — Weighted average of health-care cost trend rates estimated for United States dollar, euro and Swiss franc claims reimbursement.
	Assumptions used in valuation of repatriation benefit obligations
Discount rate	3.75% (2015: 3.9%) — Each year's projected cash flow is discounted at a spot rate for high-quality corporate bonds payable in United States dollars appropriate for that maturity. The discount rate is the single equivalent rate that produces the same discounted present value.
Expected rate of salary increase	2.2% (2015: 2.2%)

After-service health insurance liability

Table 3.8.2

(Thousands of United States dollars)

	2016		2015	
	Present value of future benefits	*Accrued liability*	*Present value of future benefits*	*Accrued liability*
Gross liability	1 161 933	847 740	1 139 302	796 410
Offset from retiree contributions	(360 533)	(266 135)	(352 645)	(249 925)
Net liability as at 31 December	**801 400**	**581 605**	**786 657**	**546 485**

95. The present value of future benefits is the discounted value of all benefits, less retiree contributions, to be paid in the future to all current retirees and to active staff from the date of expected retirement. The accrued liability represents that portion of the present value of benefits that has accrued from the staff member's date of entry on duty until the valuation date. An active staff member's benefit is fully accrued when that staff member has reached the date of full eligibility for after-service benefits. Thus, for retirees and active staff members who are eligible to retire with benefits, the present value of future benefits and the accrued liability are equal. Liabilities are calculated using the projected unit credit method, whereby each participant's benefits under the plan are expensed as they accrue, taking into consideration the plan's benefit allocation formula.

96. The following table presents a reconciliation of opening and closing balances of the after-service health insurance liability:

Table 3.8.3

(Thousands of United States dollars)

After-service health insurance	*2016*	*2015*
Defined benefit obligation at 1 January	546 485	545 477
Service expense cost for year	26 415	27 555
Interest expense cost for year	15 496	14 662
Past service cost	1 450	–
Benefits paid (net of participant contributions)	(5 175)	(5 154)
Actuarial (gain)/loss	(3 066)	(36 055)
Defined benefit obligation at 31 December	**581 605**	**546 485**

97. The actuarial gains and losses are recognized as a direct charge or credit to reserves, while service and interest costs are recognized as an expense. The expense recognized in the statement of financial performance (statement II) in 2016 is $43.4 million ($42.2 million in 2015), as detailed in note 6.2.

98. The after-service health insurance liability for active and retired staff and their dependants who are or were funded by the United Nations regular budget is not included in these financial statements as it constitutes a liability of the United Nations. The after-service health insurance expense for this group of staff is paid directly by the United Nations.

99. With effect from 1 January 2012, UNHCR started to fund after-service health insurance liabilities by charging 3 per cent of the net base salary of all Professional

and relevant General Service staff. The amount funded as at 31 December 2016 is $59.9 million ($41.2 million in 2015).

Table 3.8.4
(Thousands of United States dollars)

After-service health insurance	*2016*	*2015*
Defined benefit obligation at 31 December	**581 605**	**546 485**
Funded as at 31 December	(59 871)	(41 243)
Unfunded defined benefit obligation at 31 December	**521 734**	**505 242**

100. The contribution of UNHCR in 2017 for after-service health insurance is estimated at $16.1 million.

Sensitivity analysis

101. On the basis of the actuarial assumptions used, the effect of an increase or decrease of one percentage point in the assumed medical cost trend rate on (a) the aggregate of the current service cost and interest cost component of net periodic post-employment medical cost and (b) the accumulated post-employment benefit obligation is shown in table 3.8.5.

Table 3.8.5
(Thousands of United States dollars)

	2016	*2015*
Effect on the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs		
One percentage point increase	15 269	15 439
One percentage point decrease	(10 828)	(10 801)
Effect on year-end accumulated post-employment benefit obligation		
One percentage point increase	150 287	154 524
One percentage point decrease	(109 923)	(114 028)

Repatriation benefits

102. In line with the Staff Regulations of the United Nations and Staff Rules, staff members in the Professional category and other relevant staff members are entitled to repatriation grants and related relocation costs upon their separation from the organization, based on the number of years of service. The organization's actuarially determined accrued liability for repatriation grant and travel as at 31 December 2016 was $86.2 million ($82.4 million in 2015), as shown in the table below.

Table 3.8.6
(Thousands of United States dollars)

	2016		2015	
	Present value of future benefits	*Accrued liability*	*Present value of future benefits*	*Accrued liability*
Repatriation grant	76 796	55 641	75 741	53 231
Travel and shipment	32 938	30 511	32 807	29 188
Net liability as at 31 December	**109 734**	**86 152**	**108 548**	**82 419**

103. The following table presents a reconciliation of opening and closing balances of the repatriation liability:

Table 3.8.7
(Thousands of United States dollars)

Repatriation grant and travel	*2016*	*2015*
Net obligation at 1 January	82 419	89 234
Service expense cost for the year	4 023	3 534
Interest expense cost for the year	3 086	3 020
Past service cost	(60)	–
Benefits paid	(4 385)	(4 262)
Actuarial (gain)/loss	1 069	(9 107)
Total obligation at 31 December	**86 152**	**82 419**

104. The repatriation liability for staff whose salaries are funded by the United Nations regular budget is included in these financial statements, as the settlement of this liability will be discharged by UNHCR.

105. The aggregate of the current-year service cost, interest expense, benefits paid and actuarial gains or losses are recognized as expense in the statement of financial performance (statement II). For 2016, the expense recognized is $7.0 million ($6.6 million in 2015), as detailed in note 6.2.

Table 3.8.8
(Thousands of United States dollars)

Repatriation grant and travel	*2016*	*2015*
Total obligation at 31 December	**86 152**	**82 419**
Funded as at 31 December	(10 103)	(8 040)
Unfunded obligation at 31 December	**76 049**	**74 379**

106. Payments by UNHCR in 2017 for repatriation benefits are estimated to be $8.6 million.

United Nations Joint Staff Pension Fund

107. The Regulations of the United Nations Joint Staff Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once

every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

108. The financial obligation of UNHCR to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

109. The actuarial valuation performed as at 31 December 2015 revealed an actuarial surplus of 0.16 per cent (a deficit of 0.72 per cent in the 2013 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2015 was 23.54 per cent of pensionable remuneration compared with the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as at 31 December 2017.

110. At 31 December 2015, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 141.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 100.9 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

111. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2015, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

112. In December 2015, the General Assembly decided that the mandatory age of separation for staff recruited before 1 January 2014 should be raised by the organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff.

113. During 2016, the contributions paid by UNHCR to the Pension Fund amounted to $102.5 million ($95.7 million in 2015). Contributions due in 2017 are expected to be $111.7 million.

114. The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board of the Fund on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed on its website at www.unjspf.org.

3.9 Other current liabilities

115. Other current liabilities include various payroll withholdings for third parties and contributions received by UNHCR before the agreements with donors were finalized. Upon finalization of the agreements, the amounts involved are recognized as revenue.

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Other payables	3 645	1 836
Contributions pending agreement	2 620	294
Total other current liabilities	**6 265**	**2 130**

3.10 Provisions

(Thousands of United States dollars)

Type of provision	*31 December 2016*	*31 December 2015*
Restoration of premises	1 499	1 499
Legal claims	1 700	–
Total provisions	**3 199**	**1 499**

116. The provision for restoration relates mostly to medium-term leases and donated right-of-use premises where there is a contractual obligation to restore the premises to the original condition. Provisions for legal claims represent several cases where payment is probable and the amount of the settlement claim can be reliably estimated.

3.11 Accumulated fund balances and reserves

(Thousands of United States dollars)

	Closing balance 31 December 2015	*Surplus (deficit)*	*Funding of long-term employee liabilities*	*Transfer in*	*Transfer out*	*Closing balance 31 December 2016*
Annual Programme Fund						
Annual Programme Fund net of reserves	1 756 585	166 803	(20 301)	203 788	(212 157)	1 894 717
Operational reserve	10 000	–	–	25 028	(25 028)	10 000
New or additional activities — mandate-related reserve	20 000	–	–	–	–	20 000
Provision to increase Working Capital and Guarantee Fund	–	–	–	25 000	–	25 000
Total Annual Programme Fund	**1 786 585**	**166 803**	**(20 301)**	**253 815**	**(237 185)**	**1 949 717**
United Nations Regular Budget Fund	3 927	(4 355)	–	–	–	(428)
Junior Professional Officers Fund	14 820	868	–	–	(778)	14 910
Reintegration Projects Fund	36 388	4 397	–	–	(1 950)	38 835
Internally Displaced Persons Projects Fund	170 214	15 399	–	1 418	(20 076)	166 954
Total accumulated fund balances and reserves	**2 011 934**	**183 111**	**(20 301)**	**255 233**	**(259 990)**	**2 169 987**

117. Fund balances represent the unexpended portion of contributions recorded as revenue that are intended to be utilized in future operational requirements of the organization.

118. Transactions for pillar 1: global refugee programme, and pillar 2: global stateless programme, are recorded in:

(a) The Annual Programme Fund;

(b) The Regular Budget Fund;

(c) The Junior Professional Officers Fund.

Transactions for pillar 3: global reintegration projects, and pillar 4: global internally displaced persons projects, are recorded in those respective funds.

119. The operational reserve is utilized to provide assistance to refugees, returnees and displaced persons for which there is no provision in the programmes and projects approved by the Executive Committee. The reserve is maintained at not less than $10 million by replenishments from the Working Capital and Guarantee Fund.

120. The new or additional activities — mandate-related reserve is utilized to provide UNHCR with the budgetary capacity to accommodate unbudgeted activities that are consistent with the activities and strategies in the approved annual programme budget and the mandate of the Office. This reserve is constituted at $50.0 million for each financial period of the biennial programme budget, or at a different level if so decided by the Executive Committee. For the financial period 2016, the Executive Committee set the level at $20.0 million.

121. In accordance with the October 2016 decision of the Executive Committee, an amount of $50 million included within the Annual Programme Fund has been set aside as a provision within the accumulated fund balances in order to increase the Working Capital Fund, effective 1 January 2017.

3.12 Working Capital and Guarantee Fund

122. The Working Capital and Guarantee Fund is maintained by revenue from interest on invested funds, savings from prior-year programmes, voluntary contributions and other miscellaneous revenue. It is utilized to replenish the operational reserve and to meet essential payments and guarantee obligations pending receipt of contributions pledges. An increase in the ceiling of the Fund from $50.0 million to $100.0 million was approved by the Executive Committee in October 2016. The funded portion within the ceiling increased from $50 million to $75 million effective 1 January 2017. A further increase of the funded amount to $100 million was approved by the High Commissioner and becomes effective on 9 March 2017.

(Thousands of United States dollars)

	31 December 2015	*Surplus (deficit)*	*Transfer in*	*Transfer out*	*31 December 2016*
Working Capital and Guarantee Fund	50 000	(12 927)	38 134	(25 207)	50 000

3.13 Medical Insurance Plan

(Thousands of United States dollars)

	31 December 2015	*Surplus (deficit)*	*Transfer in*	*Transfer out*	*31 December 2016*
Medical Insurance Plan	36 596	3 925	–	(8 170)	32 351

123. The Medical Insurance Plan was established by the General Assembly at its forty-first session in accordance with United Nations staff regulation 6.2. The Plan is maintained by premiums from field staff and proportional contributions from UNHCR, as well as by interest revenue. Expenses include claims processed during the year and associated administrative expenses. Coverage under the Plan is limited to locally recruited General Service staff members and National Professional Officers in the field.

3.14 Staff Benefits Fund

(Thousands of United States dollars)

	31 December 2016			*31 December 2015*		
	Liabilities	*Funding*	*Net fund balance*	*Liabilities*	*Funding*	*Net fund balance*
After-service health insurance						
United Nations Staff Mutual Insurance Society	(453 927)	44 754	(409 173)	(425 636)	34 351	(391 285)
Medical Insurance Plan	(127 678)	15 117	(112 561)	(120 849)	6 892	(113 957)
Subtotal	**(581 605)**	**59 871**	**(521 734)**	**(546 485)**	**41 243**	**(505 242)**
Repatriation	(86 152)	10 103	(76 049)	(82 345)	8 040	(74 305)
Annual leave	(66 948)	–	(66 948)	(61 515)	–	(61 515)
Other separation benefits	(1 508)	–	(1 508)	(1 320)	–	(1 320)
Total	**(736 213)**	**69 974**	**(666 239)**	**(691 665)**	**49 283**	**(642 382)**

124. The Staff Benefits Fund was established to record transactions relating to end-of-service and post-retirement benefits.

125. In accordance with the decision of the Standing Committee in June 2011, UNHCR started funding after-service health insurance liabilities by charging 3 per cent of the net base salary of all Professional and relevant General Service staff, with effect from 1 January 2012. The cumulative amount reserved since 2012 is $59.9 million.

126. In addition, in accordance with the decision of the Standing Committee, $10.1 million has been reserved for funding repatriation benefits since 2012.

127. All of the funds and reserves referred to above were established by the Executive Committee or by the High Commissioner with the concurrence of the Executive Committee.

Note 4
Risk analysis

Credit risk

128. Credit risk is the risk of financial loss resulting from a counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and credit exposure to outstanding receivables. The carrying value of financial assets is the maximum exposure to credit risk.

Cash and investments

129. UNHCR risk management policies limit the amount of cash and investment holdings with any bank. In the identification and maintenance of the list of approved custodians, the risks of loss of principal in the event of counterparty default are mitigated through the application of risk management evaluations and bank risk rating grades. Surplus funds are placed with financial institutions worldwide with the greatest financial strength as measured by adequacy of capital and reserves. Geographical distribution and specific threshold limits by counterparty are practiced. All surplus funds placements are concluded with financial institutions that are accorded the strongest credit ratings by the primary rating agencies.

Receivables

130. Contributions receivable are composed primarily of voluntary contributions due from Member States. Historically, there have been no material amounts that have remained uncollected. The risk has been assessed at $5.2 million and has been provided for, as indicated in table 3.2.3 on the contributions receivable.

Liquidity risk

131. UNHCR total cash and cash equivalent holdings amounted to $972.4 million as at 31 December 2016, compared with $942.9 million as at 31 December 2015.

132. UNHCR total cash and cash equivalents are composed of unencumbered operational cash holdings amounting to the equivalent of $907.6 million and encumbered non-operational cash holdings amounting to $64.8 million (see note 3.1).

133. The average balance of unencumbered operational cash holdings during 2016 represents a coverage of 2.8 months of expenses, as compared with an average of 2.5 months for 2015. UNHCR manages its cash requirements with the target of maintaining its average unencumbered operational cash holdings at no more than two months' average cash outflows. The implementation of UNHCR programme and emergency activities is planned using cash flow forecasting related to actual and estimated pledged contributions and special appeals. Rigorous liquidity management procedures and monitoring are in place to ensure that sufficient liquid cash holdings are available to meet contractual liabilities as and when due.

Interest rate risk

134. The organization earns interest revenue derived from surplus balances that it maintains in operational and non-operational cash holdings throughout the year. The implementation of the Office's programme and budget is not directly dependent on interest earnings.

Foreign exchange risk

135. The organization is impacted by the foreign exchange risk derived from direct cash flows throughout the year of contributions that are received primarily in 10 major currencies and payments that are made in 95 currencies worldwide. UNHCR manages currency risk at the multi-currency portfolio level by establishing actual and forecasted net cash flow positions by currency pairs that are highly correlated between receiving and paying currencies. Therefore, short-term hedging interventions are limited. There are no open contracts at year-end.

136. There is significant foreign exchange risk derived from pledges of voluntary contributions, specifically in the timing of the receipt of a pledge. UNHCR addresses the underlying uncertainty by using an established risk methodology to

substantiate and validate the benefit of a high degree of diversification in its currency portfolio.

137. UNHCR mitigates foreign exchange impacts for each currency flow by matching cross-correlated currencies at the portfolio level. The automated cash flow forecasting tool embedded in UNHCR enterprise resource planning systems is a key component for tracking and optimizing forthcoming cash flows worldwide in underlying transactional modules.

138. UNHCR procures all major convertible currencies centrally at headquarters through standardized electronic trading platforms, facilitating competition among selected banks. The Office manages a multi-currency bank account infrastructure which is required to meet worldwide operational needs in some 125 countries.

Sensitivity analysis

139. The effect of a strengthening or weakening of the United States dollar against all other relevant currencies by one percentage point between 31 December 2016 and the date of settlement of monetary assets and liabilities is to increase or decrease net assets by approximately $7.1 million.

Note 5
Revenue

5.1 Voluntary contributions

Table 5.1.1

(Thousands of United States dollars)

	2016	*2015 (reclassified)*
Monetary contributions		
Government	3 048 118	2 885 444
Other intergovernmental organizations	445 922	176 179
Private donors	293 702	335 853
United Nations system organizations and funds	110 631	92 877
Total monetary contributions (before adjustments)	**3 898 372**	**3 490 353**
Refunds to donors and other reductions in prior-year revenue	(11 691)	(3 640)
Discounting	(531)	304
Total monetary contributions	**3 886 150**	**3 487 017**
In-kind contributions		
Government	14 155	15 532
Private donors	21 589	11 588
United Nations system organizations and funds	15	180
Total in-kind contributions	**35 759**	**27 300**
Total voluntary contributions	**3 921 909**	**3 514 317**

140. Monetary contributions revenue is reduced by refunds made to donors, reductions in prior-year revenue arising from underspends against earmarked funding, and the impact of discounting the value of non-current accounts receivable.

The effect of discounting is presented as a separate line and accordingly, the amounts for 2015 in all tables in note 5.1 have been reclassified.

141. In-kind contributions represent donations of goods and services received that directly support operations. In-kind contributions generally include inventory items to be distributed to beneficiaries and the use of premises, utilities, transport and personnel. The amount of in-kind contributions in 2016 comprised $21.1 million for goods and software ($13.7 million in 2015) and $14.7 million for services ($13.6 million in 2015).

142. The total monetary contributions (before adjustments) of $3,898.4 million recorded in 2016 are further analysed below by year funded and by type of earmarking:

Table 5.1.2
Monetary contributions recognized
(Thousands of United States dollars)

By year	*2016*	*By year*	*2015*
2016	3 139 370	**2015**	2 725 570
Future years		**Future years**	
2017	642 097	2016	668 738
2018	91 460	2017	67 284
2019	17 853	2018	26 371
2020	7 492	2019	2 390
2021	100		
Subtotal	**759 003**		**764 783**
Total monetary contributions (before adjustments)	**3 898 372**		**3 490 353**

Table 5.1.3
Monetary contributions by type of earmarking
(Thousands of United States dollars)

Type of earmarking	*2016*	*2015 (reclassified)*
Country/sector level	2 550 166	2 020 819
Regional/subregional level	601 072	736 256
Unrestricted	554 965	509 506
Pending earmarking	159 081	200 583
Thematic	33 088	23 188
Total monetary contributions (before adjustments)	**3 898 372**	**3 490 353**

5.2 Other revenue

(Thousands of United States dollars)

	2016	*2015*
Use of guest-house accommodation	3 791	4 067
Medical premium from Medical Insurance Plan participants	2 527	1 161
Sale of assets	1 058	6 905

	2016	2015
Use of office space and parking garage	688	1 262
Miscellaneous revenue	2 536	4 180
Total other revenue	**10 599**	**17 575**

Note 6
Expenses

6.1 Implementing partnership expense

143. The total of expenses incurred by implementing partners during the financial period amounted to $1,420.8 million ($1,260.8 million in 2015) and is analysed by type of implementing partner and by pillar, as follows:

Table 6.1.1

(Thousands of United States dollars)

Pillar	Government	International non-governmental organizations	Local non-governmental organizations	United Nations system organizations	Total expenses 2016	Total expenses 2015
Refugees	148 335	524 376	371 358	100 803	1 144 872	997 514
Stateless	420	1 239	4 648	1 437	7 745	8 388
Reintegration	5 039	13 930	10 312	1 278	30 559	40 739
Internally displaced persons	18 514	108 443	101 212	9 452	237 621	214 191
Total	**172 307**	**647 989**	**487 530**	**112 971**	**1 420 796**	**1 260 832**

144. Included under United Nations system organizations is $69.3 million with the United Nations Office for Project Services ($60.7 million in 2015) and $25.1 million with the United Nations Volunteers ($23.7 million in 2015) for the provision of personnel to support operations. Included under local non-governmental organizations is $48.9 million ($42.9 million in 2015) with partners for fundraising and awareness-raising.

145. The expense through partnerships includes payments of $34.6 million ($34.9 million in 2015) to international partners representing the UNHCR contribution towards projects and headquarters support costs for the monitoring, administration and oversight of projects implemented in the field. The contribution is not expected to cover the full cost of the international partners' headquarter support costs.

146. Implementing partnership expenses by rights group across pillars are shown in the table below:

Table 6.1.2

(Thousands of United States dollars)

Rights group	*Global refugee programme*	*Global stateless programme*	*Global reintegration projects*	*Internally displaced persons projects*	*Total expenses*	
					2016	*2015 (reclassified)*
Basic needs and essential services	465 776	17	11 336	107 382	584 511	567 065
Community empowerment and self-reliance	76 028	110	8 609	26 929	111 676	108 187
Durable solutions	51 251	2 623	3 390	3 233	60 496	44 102
Fair protection processes and documentation	150 059	1 706	3	4 371	156 139	79 755
Favourable protection environment	35 383	1 714	208	15 765	53 070	53 548
Headquarters and regional support	75 401	63	–	–	75 464	81 315
Leadership, coordination and partnerships	15 490	–	57	12 864	28 411	31 928
Logistics and operations support	125 868	588	2 916	11 356	140 729	145 775
Security from violence and exploitation	60 779	–	94	24 888	85 761	67 771
Expenses reported by implementing partners against current-year agreements	**1 056 035**	**6 821**	**26 614**	**206 787**	**1 296 257**	**1 179 445**
Report pending receipt or processing	92 490	1 187	4 596	25 539	123 811	31 194
Expense incurred against prior-years' agreements	(3 652)	(263)	(651)	5 295	728	50 193
Total expense	**1 144 873**	**7 744**	**30 559**	**237 621**	**1 420 796**	**1 260 832**

147. In table 6.1.2 an amount of $0.2 million originally reported in 2015 in the line entitled "Expense incurred against prior-years' agreements" has been reclassified to the appropriate lines above the subtotal "Expenses reported by implementing partners against current-year agreements".

148. The total amount of funds recovered from implementing partners in 2016 for unjustified expenses was $1.7 million ($1.5 million in 2015). These were determined during the UNHCR review of audit reports of projects implemented by partners.

149. Interest and miscellaneous revenue amounting to $1.6 million ($1.3 million in 2015) were received from implementing partners for the year. Furthermore, a total of $0.02 million ($0.01 million in 2015) was written off during 2016 against amounts receivable from the implementing partners.

6.2 Salaries and employee benefits

(Thousands of United States dollars)

	2016	*2015*
Salary	473 479	452 151
Pension	102 024	95 094
Allowances	71 497	72 370
Temporary assistance	56 227	40 659
After-service health insurance	43 361	42 217
Reassignment	27 441	27 718
Education grant	25 233	25 862
Medical insurance — current	24 266	22 590
Repatriation grant	7 049	6 554
Actuarial (gain)/loss on repatriation liability	1 069	(9 107)
Appointment	6 783	8 734
Termination	5 599	5 129
Reimbursement of income tax	5 376	4 324
Annual leave accrual	5 347	(884)
Evacuation	5 266	6 838
Home leave	1 574	1 538
Other personnel costs	12 436	11 155
Total salaries and employee benefits	**874 030**	**812 942**

150. After-service health insurance and repatriation grant include only the annual service cost and interest expenses. Included in other personnel costs are $4.9 million for staff rental subsidy (2015: $4.2 million), $3.2 million for rest and recuperation (2015: $3.0 million) and $2.2 million for overtime payments (2015: $2.0 million).

6.3 Contractual services

(Thousands of United States dollars)

	2016	*2015 (reclassified)*
Transport	47 291	44 412
Joint United Nations activities	34 220	27 663
Construction	33 876	17 111
Advertising	28 668	22 748
Marketing and data processing	21 778	18 169
Professional services	12 974	12 962
External resource assistance	12 263	10 880
Seminars	10 932	8 192
Other services	90 814	79 027
Total contractual services	**292 817**	**241 164**

151. Other services include various specialized services of a technical, analytical and operational nature provided through contractual arrangements. They include $33.7 million in health-related costs in Lebanon for persons of concern in 2016 ($48.4 million in 2015). To better reflect the indirect nature of the services provided, the 2015 amount as reclassified includes medical treatment charges ($32.8 million) previously reported as individual and family payments to beneficiaries (note 6.6).

6.4 Supplies and consumables for beneficiaries

(Thousands of United States dollars)

	2016	*2015*
Distributed from inventory		
Bedding materials	89 210	104 835
Household items	80 986	79 157
Medical, hygienic supplies and apparel	48 451	71 362
Tents	37 311	33 547
Construction and related equipment materials	23 967	17 347
Material consumables	11 941	6 097
Food and other supplies	8 997	6 023
Total distributed from inventory	**300 862**	**318 368**
Distributed from supplies and other consumables		
Other supplies	24 466	26 105
Total supplies and consumables for beneficiaries	**325 328**	**344 473**

152. Other supplies include the expenses pertaining to consumable items that are not considered inventory. These include medical items worth $15.2 million ($14.6 million in 2015) and household items valued at $7.1 million ($1.6 million in 2015) distributed to beneficiaries.

6.5 Operating expenses

(Thousands of United States dollars)

	2016	*2015*
Maintenance	64 433	58 656
Rental of premises	56 019	50 683
Communications	26 690	28 950
Utilities	11 077	10 728
Equipment	6 565	17 880
Insurance	3 399	2 469
Bank charges	2 948	2 689
Vehicles	557	798
Other operating expenses	6 372	7 923
Total operating expenses	**178 058**	**189 776**

153. Expenses recognized under equipment and vehicles represent the purchase of items below the capitalization threshold of $10,000. They also include property, plant and equipment assets transferred to implementing partners and government counterparts.

6.6 Individual and family payments to beneficiaries

(Thousands of United States dollars)

	2016	*2015 (reclassified)*
Basic needs (multipurpose cash)	368 322	160 039
Repatriation needs	145 832	15 886
Other cash assistance	13 636	5 930
Total individual and family payments to beneficiaries	**527 790**	**181 856**

154. Direct cash assistance to beneficiaries increased significantly in 2016, mainly in response to the Syrian situation. Repatriation grants in 2016 relate primarily to the Afghanistan situation. Medical treatment charges ($32.8 million) previously reported as individual and family payments in 2015 are now classified as contract services (other services) in note 6.3.

6.7 Equipment and office supplies

(Thousands of United States dollars)

	2016	*2015*
Computer equipment	20 204	19 335
General office supplies	18 103	17 035
Communications equipment	6 365	10 222
Furniture and fixtures	3 641	3 725
Security and safety equipment	1 829	2 094
Total office supplies	**50 143**	**52 411**

155. Expenses recognized under equipment and furniture and fixtures represent the purchase of items below the capitalization threshold of $10,000.

6.8 Depreciation, amortization and impairment

(Thousands of United States dollars)

	2016	2015
Depreciation of property, plant and equipment	45 517	42 083
Amortization of intangible assets	539	2 096
Impairment of property, plant and equipment	(625)	230
Total depreciation, amortization and impairment	**45 430**	**44 409**

6.9 Other expenses

(Thousands of United States dollars)

	2016	2015 (reclassified)
Inventory valuation allowance	13 293	(11 899)
Training	5 626	5 759
Bad debt expense	1 849	12 909
Miscellaneous expenses	2 757	18 314
Total other expenses	**23 525**	**25 083**

156. Inventory valuation allowance expense in 2016 primarily reflects a write-down for shelter for refugees, as the timing and scope of distribution and use are currently uncertain. Inventory value adjustment is reclassified from miscellaneous expenses to inventory valuation allowance in 2016 and the prior year's amount ($14,151) is reclassified accordingly.

6.10 Foreign exchange gains and losses

(Thousands of United States dollars)

	2016	2015
Unrealized (gain)/loss	13 679	(998)
Realized (gain)/loss	(211)	41 892
Total foreign exchange gains and losses	**13 468**	**40 894**

157. In 2016 unrealized exchange losses were primarily the result of the strengthening United States dollar relating to open receivables denominated in euros at 31 December 2016. In 2015 the exchange losses were realized throughout the year, during which the United States dollar was strengthening against the euro and other currencies. The main impact was on euro-denominated contributions.

Note 7
Statement of comparison of budget and actual amounts

158. As required by IPSAS 24: Presentation of budget information in financial statements, reconciliation is provided between the actual amounts on a comparable

basis, as presented in statement V, and the actual amounts, as shown in the financial accounts identifying separately any basis, timing and entity differences which are described below:

(a) **Basis differences**: the budget of UNHCR is formulated on a modified cash basis and the financial statements are prepared on an accrual basis, thereby giving rise to a basis difference;

(b) **Timing difference** occurs when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNHCR for the purpose of comparison between budgets and actual amounts;

(c) **Entity differences** occur when the budget does not include programmes or entities that are part of the main entity for which the financial statements are prepared. In UNHCR, the budget does not include activities relating to the Working Capital and Guarantee Fund, and the Medical Insurance Plan;

(d) **Presentation differences** are due to differences in the format and classification schemes adopted for presentation of the statement of financial performance (statement II) and the statement of comparison of budget and actual amounts (statement V). The UNHCR budget in statement V is presented on an operational and geographical basis, while expenses are presented by nature of expense in the statement of financial performance (statement II).

159. A reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts (statement V) and the actual amounts in the statement of financial performance (statement II) for the year ended 31 December 2016 is presented below:

(Thousands of United States dollars)

	2016	*2015*
Actual amount on comparable basis (statement V)	**3 967 097**	**3 294 815**
Basis differences		
Property, plant and equipment, and intangible assets	(63 597)	(26 779)
Depreciation, amortization and impairment of property, plant and equipment, and intangible assets	45 430	44 409
Inventory	(6 750)	22 345
Commitments (excluding those dealt with elsewhere under entity or basis differences)	(91 626)	(69 251)
Implementing partner expenditure	11 656	20 374
Employee benefits funding	(12 120)	(11 415)
Elimination of inter-segment expenses	(35 053)	(30 173)
Implementing partnership refunds and adjustments for prior-year projects	(46 055)	(39 413)
Bad debt expense	1 820	12 909
Inventory obsolescence	152	(11 886)
Other	4 470	(7 134)
Total basis differences	**(191 672)**	**(96 014)**

	2016	2015
Entity differences		
Working Capital and Guarantee Fund	16 416	43 583
Medical Insurance Plan	7 469	7 114
Staff Benefits Fund	47 614	29 374
Total entity differences	**71 499**	**80 071**
Foreign exchange gains/(losses)	(13 468)	(40 894)
Actual amount in the statement of financial performance (statement II)	**3 833 456**	**3 237 978**

160. Explanations of material differences between the original budget and the final budget and the actual amounts are presented in section D of chapter IV above.

Note 8
Segment reporting

8.1 Statement of financial position by segment as at 31 December 2016

(Thousands of United States dollars)

	Programmes	Projects	Special funds and accounts	Total
Assets				
Cash and cash equivalents	799 246	123 298	49 807	972 350
Investment	39 832	7 842	102 327	150 000
Contributions receivable	930 082	4 186	–	934 269
Inventories	140 104	63 716	–	203 820
Property, plant and equipment	130 268	25 983	–	156 251
Intangible assets	15 595	3 080	–	18 675
Other assets	75 172	15 075	193	90 440
Total assets	**2 130 299**	**243 180**	**152 326**	**2 525 804**
Liabilities				
Accounts payable and accruals	149 141	34 904	2	184 047
Employee benefits	8 516	1 466	736 213	746 194
Provisions	2 705	494	–	3 199
Other liabilities	5 738	527		6 265
Total liabilities	**166 099**	**37 391**	**736 215**	**939 706**
Net assets	**1 964 199**	**205 789**	**(583 889)**	**1 586 099**
Fund balances and reserves				
Accumulated fund balances and reserves	1 964 199	205 789	–	2 169 987
Working Capital and Guarantee Fund	–	–	50 000	50 000
Medical Insurance Plan	–	–	32 351	32 351
Staff Benefits Fund	–	–	(666 239)	(666 239)
Total fund balances and reserves	**1 964 199**	**205 789**	**(583 889)**	**1 586 099**

Note 8.2
Statement of financial performance by segment for the year ended 31 December 2016

(Thousands of United States dollars)

	Programmes	*Projects*	*Special funds and accounts*	*Inter-segment*	*Total*
Revenue					
Voluntary contribution	3 579 749	342 160	–	–	3 921 909
United Nations regular budget	36 661	–	–	–	36 661
Transfers	(304 599)	304 599	–	–	–
Interest revenue	482	–	4 158	–	4 640
Other revenue	36 844	221	11 115	(37 580)	10 599
Total revenue	**3 349 137**	**646 980**	**15 273**	**(37 580)**	**3 973 809**
Expenses					
Implementing partner expenses	1 152 876	267 920	–	–	1 420 796
Salaries and employee benefits	718 359	109 252	55 010	(8 591)	874 030
Contractual services	259 437	33 375	4	–	292 817
Supplies and consumables for beneficiaries	171 817	153 484	27	–	325 328
Operating expenses	151 887	23 194	2 978	–	178 058
Individual and family payments to beneficiaries	516 249	11 540	–	–	527 790
Equipment and office supplies	42 699	7 442	1	–	50 143
Travel expense	47 887	5 270	22	–	53 179
Fuels and lubricants	22 639	4 881	–	–	27 520
Consultants	13 885	957	–	–	14 842
Depreciation, amortization and impairment	41 512	3 918	–	–	45 430
Other expenses	46 573	5 949	(8)	(28 989)	23 525
Total expenses	**3 185 820**	**627 184**	**58 032**	**(37 580)**	**3 833 456**
Foreign exchange (gains)/losses	–	–	13 468	–	13 468
Surplus/(deficit) for the year	**163 316**	**19 796**	**(56 228)**	**–**	**126 885**

Note 8.3
Long-lived asset additions by segment

(Thousands of United States dollars)

	Programmes	*Projects*	*Special funds and accounts*	*Total*
2015 asset additions				
Property, plant and equipment	36 769	8 139	–	44 908
Intangible assets	219	52	–	271
Total	**36 998**	**8 191**	**–**	**45 179**

	Programmes	*Projects*	*Special funds and accounts*	*Total*
2016 asset additions				
Property, plant and equipment	46 824	9 092	–	55 916
Intangible assets	2 563	534	–	3 096
Total	**49 386**	**9 626**	**–**	**59 012**

161. Some internal activities lead to accounting transactions that create inter-segment revenue and expense in the financial statements. The organization's share of medical insurance premiums in respect of the Medical Insurance Plan created inter-segment amounts in 2016 of $8.6 million ($4.0 million in 2015) and the vehicle rental mechanism under global fleet management created $29.0 million in inter-segment amounts in 2016 ($26.1 million in 2015). Consistent with 2015, inter-segment transfers were recorded either at cost or, under the vehicle rental mechanism, at values designed to ensure sufficient capital was available to fund reinvestment plans for replacement vehicles.

162. Earmarked contributions are recorded to the applicable fund/pillar upon receipt. Unearmarked and broadly earmarked contributions are initially recorded under pillar 1 (global refugee programme) and are subsequently transferred to other pillars, as needed, to cover budgetary requirements. Accumulated fund balances under programmes, projects and special accounts represent the unexpended portion of contributions that are carried forward to be utilized in future operational requirements.

Note 9
Commitments and contingencies

9.1 Leases

163. Obligations for operating leases are as follows:

(Thousands of United States dollars)

	2016	*2015*
Obligations for operating leases		
Under 1 year	20 242	16 968
1-5 years	25 597	22 667
Beyond 5 years	3 999	3 357
Total obligations for operating leases	**49 838**	**42 992**

164. As at 31 December 2016 and 2015, UNHCR did not have any finance leases.

9.2 Commitments

165. At 31 December 2016, UNHCR had commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered, as follows:

(Thousands of United States dollars)

	2016	*2015*
Inventory	199 047	132 066
Services	63 804	39 909
Supplies	42 288	27 313
Operating expenses	29 707	24 010
Property, plant and equipment	28 842	24 578
Instalments due against partnership agreements	26 115	21 060
Consultants	1 479	1 528
Cash assistance to beneficiaries	–	68 685
Other commitments	1 644	2 538
Total open commitments	**392 926**	**341 687**

166. Cash assistance to beneficiaries in 2015 reflected commitments for the cash payments due early in 2016 in locations involved in responding to the Syrian situation. No such commitments existed at 31 December 2016.

167. Commitments are not recognized as expenses in the statement of financial performance (statement II) on the basis of IPSAS 1: Presentation of financial statements, and on the basis of the delivery principle. Such commitments will be settled from the unexpended portion of contributions after receipt of the related goods and services.

9.3 Legal or contingent liabilities

168. Voluntary contribution revenue includes revenue that, under the terms of the contribution agreement, must be spent within a specified period and for an agreed purpose ("earmarked"). Where UNHCR has clearly not fully spent an earmarked contribution by the agreed deadline, such shortfalls are accounted for as a reduction in revenue and disclosed in table 5.1.1.

169. As at 31 December 2016, potential underspending has been identified for certain expired contributions for which a final determination of spending status will be established in 2017. To the extent that these ultimately indicate underspending, UNHCR may be required to make a refund to the donor. However, it is not possible to reliably estimate the amount of the potential refunds. Therefore they represent contingent liabilities as at 31 December 2016. The maximum extent of the refund obligation is estimated at approximately $8 million to $10 million.

170. As at 31 December 2016, there were 38 outstanding cases relating to various claims from staff members or former staff members pending United Nations Dispute Tribunal judgments against UNHCR with a total potential financial compensation amounting to approximately $0.9 million. None of these cases are resolved. Furthermore, there are 12 unresolved third-party claims against UNHCR, amounting to $2.9 million. The total cost, should all staff and third party claims be decided against UNHCR, is therefore estimated to be $3.8 million.

Note 10
Losses, ex gratia payments and write-offs

171. UNHCR financial rule 10.5 provides that ex gratia payments may be approved by the Controller for an amount not exceeding $5,000, when such payments are

considered desirable in the interest of the organization. Ex gratia payments in excess of $5,000 require the approval of the High Commissioner. A statement of ex gratia payments was submitted to the Board of Auditors and to the Executive Committee with the financial statements. For 2016, two ex gratia cases were approved by the High Commissioner, totalling $18,445.

172. Financial rule 10.6 provides that write-offs up to $10,000 owing to the loss of cash or of the book value of accounts receivable may be authorized by the Controller, while the write-off of amounts in excess of $10,000 requires the approval of the High Commissioner. A statement of all amounts written off was submitted to the Board of Auditors. During 2016, cash losses, irrecoverable contributions receivable and other current assets, including amounts due from implementing partners, resulted in write-offs amounting to $21.5 million ($5.6 million in 2015), consisting primarily of donation reductions from three governmental donors totalling $20.5 million.

173. In 2016, 24 fraud cases (12 cases in 2015) were reported, with a total amount of $0.14 million ($0.2 million in 2015), including embezzlement of the organization's funds, falsification of documents, misuse of assets or submission by staff of fraudulent claims for health insurance or various entitlements. As at the end of the year, there were also 52 pending cases (18 cases in 2015) for which investigations were ongoing and their outcome will be reported, as appropriate, once the determination is concluded.

Note 11
Related party disclosures

174. The key management personnel of UNHCR are the High Commissioner, the Deputy High Commissioner, the two Assistant High Commissioners and the Controller, as they have the authority and responsibility for planning, directing and controlling the activities of UNHCR.

(Thousands of United States dollars)

	Number of posts filled	*Compensation and post adjustments*	*Entitlements*	*Pension and health plans*	*Total remuneration*	*Outstanding advances against entitlements*	*Outstanding loans*
Key management personnel, 2016	5	1 220	190	253	1 663	–	–
Key management personnel, 2015	5	1 244	457	255	1 956	–	–

175. The table above summarizes aggregate remuneration paid to key management personnel, which includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs and employer pension and current health insurance contributions.

176. Key management personnel also qualify for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. They are also ordinary participants in the Pension Fund.

177. UNHCR relies on implementing partnerships and national fundraising partners for its operational activities. The transactions with these parties are at arm's length.

Note 12
Events after the reporting date

178. The reporting date for the Office of the United Nations High Commissioner for Refugees is 31 December of each year. At the date of signing these financial statements, 31 March 2017, no material events, favourable or unfavourable, had occurred since 31 December 2016 that would have impacted the present statements.

179. The financial statements were approved on 31 March 2017 and submitted to the Board of Auditors for opinion. None other than UNHCR has the authority to amend these financial statements.

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